

Sustainability Blog

By PwC Deutschland | 28 June 2024

PwC International Sustainable Finance Conference: Opportunities, challenges and solutions with regard to CSRD implementation

The PwC event brought together experts and decision-makers from the financial sector, politics, standard-setters, academia and civil society

On June 12th our 3rd International Sustainable Finance Conference “Implementing the CSRD” took place in Frankfurt. The event brought together experts and decision makers from the financial sector, politics, standard-setters, academia and civil society and highlighted many aspects around CSRD implementation. Here are the key takeaways.

The conference highlighted many aspects around CSRD implementation. I have summarised the key takeaways which provide further food for thought.

Transparency for its own sake?

One of the key challenges with CSRD implementation highlighted by participants is that there is still a lack of universally agreed methods and standards, e.g. carbon accounting standards which will make the reported data based on the European Sustainability Reporting Standards (ESRS) difficult to compare in the first reporting year. One participant raised the question to Sven Gentner, the keynote speaker from the European Commission whether it could have been a good idea to grant companies one year of non-public reporting before the data is published. This could have helped in improving methods and processes before public scrutiny kicks in. Nevertheless, financial companies are looking forward to the extended ESG database that will be provided through CSRD reporting which will support them >in their own ESG reporting, e.g. for the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation.

Given the extended scope and the more comprehensive European Sustainability Reporting Standards (ESRS) the CSRD leads to large amounts of ESG data being published. But does this enhanced transparency on a company’s sustainability performance already exert sufficient pressure to change behavior and steer investments into sustainable economic activities?

To achieve a strong sustainability-related impact, it is important that companies use ESG data for external reporting purposes and for an internal steering mechanism linked to the corporate strategy that guides decision-making. Furthermore, some participants expressed the view that additional regulatory incentives could be helpful, e.g. tax benefits or lower capital costs.

Keynote speaker Emmanuel Faber, Chair of the International Sustainability Standards Board (ISSB) highlighted the importance of interoperability between the European Sustainability Reporting Standards (ESRS) and the international IFRS Standards. The respective bodies, EFRAG and the ISSB, have cooperated very closely to achieve compatibility.

Publishing Net Zero Transition Plans

In a workshop on net zero transition plans, several speakers highlighted the still persistent data quality and availability issues as a main obstacle for the publication of net zero transition plans. Many non-financial companies have not yet published transition plans. The quality of data provided by ESG rating agencies is also not satisfactory as different agencies come to different conclusions on the same companies due to different methodologies.

Therefore, several participants raised the concern that publishing net zero objectives based on incomplete

data would not be credible and would pose the risk of being called out for greenwashing. But will the ESG data infrastructure ever be perfect? Some speakers highlighted that a pragmatic and solution-oriented approach is more conducive to advancing the sustainability transition of the economy.

Net Zero Transition Plans provide transparency to stakeholders, including policymakers on corporate transition pathways and related needs. Financial companies should look at the sector-specific transition pathways for decarbonisation of the companies they are financing when drafting their own transition plans. Investors can have a big impact on the sustainability transition of the economy by engaging with the non-financial companies they are invested in or lending to with the aim of improving their sustainability performance.

To reach global climate and sustainability objectives fast action and pragmatism are needed. The NGO representative present shared this view. It is better to start somewhere than to wait while global warming is proceeding...

Avoiding Greenhushing

In a workshop on credible ESG and anti-greenwashing measures participants discussed the recently published final reports of the European Supervisory Authorities (ESAs) on greenwashing, in which a definition of "greenwashing" was specified that leaves room for interpretation due to imprecise wording. It was also discussed whether too much attention is being paid to the word "greenwashing" and its negative connotation as opposed to the positive aspects and impacts of sustainable investment funds, especially as investment funds were always required to follow specific set investment guidelines.

Furthermore, participants identified the risk that too much scrutiny on greenwashing by regulators and other external stakeholders already now leads to so called "greenhushing" by companies, i.e. not going public with sustainability-related objectives and measures out of concern of being called out for greenwashing. Greenhushing does not help in achieving the objectives of the EU Sustainable Finance Regulation to steer investments into sustainable economic activities, on the contrary increased transparency by companies, including on ESG data gaps is necessary to share lessons learnt and contribute to improved market practice.

Biodiversity and Nature protection is material

Keynote speakers Prof. Klement Tockner, General Director of the Senckenberg Institute and Prof. Frauke Fischer, University of Würzburg highlighted that biodiversity is as important for the functioning of ecosystems and thereby for the foundation of our economy as one single screw can be for the safety of an airplane.

The loss of ecosystem services such as pollination, soil fertility or air and water treatment could cause annual costs of more than 2.7 Billion USD according to the World Bank. Currently, a large portion of the public financing for nature protection goes into restoration and waste management. It would be much cheaper to invest in preventive measures and safeguard natural protection mechanisms, e.g. forest and

sinks for natural water treatment. Given the current land use a combination of natural and technological measures will be needed to preserve biodiversity and ecosystems. Investments in relevant technologies are a still widely under-utilised potential. Several participants raised that one challenge for financial companies in implementing biodiversity measures is that there is still a lack of commonly agreed metrics for biodiversity.

Overall, the conference provided an inspiring and valuable platform for discussions on first experiences around CSRD implementation. I would like to thank all speakers, participants and organizers for their contributions and look forward to the next PwC International Sustainable Finance Conference in June 2025!

Related Links:

- [Taxonomy Reporting Study 2023](#)
- [Sustainable Finance – PwC Germany](#)
- [Sustainability consulting – PwC Germany](#)
- Webcast Reihe Sustainable Finance: Staying Ahead of the Curve 2024

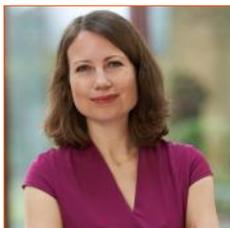
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